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OPTIMIZING COMMUNITY AND SME'S POTENTIAL IN SANGKETAN VILLAGE, TABANAN, BALI: A TAX COMPLIANCE PERSPECTIVE

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Abstract:
Sangketan Village, located in Penebel District, Tabanan Regency, Bali, has excellent potential to improve and explore. The geographical situation of the village, which has an area of 12.70 km2 with a population of 3,515 people divided into 1,257 Family Cards and the livelihood of the majority of the population as coffee farmers encourages optimization of the management of coffee and other products so that they are better known and recognized in the broader range such as product export. Therefore, as a form of community service, the Diploma III Taxation Study Program, Diploma III Accounting Study Program, and Accounting Study Program, Faculty of Economics and Business, Udayana University provides outreach related to tax compliance for SME players to increase their productivity in terms of product use by foreign investment operating in Indonesia, such as hotels and villas. The socialization method begins with looking for phenomena faced by SMEs in Bali, which is then continued with field studies so that the right topic can be socialized. The results achieved from this service are increasing public awareness regarding compliance in carrying out tax obligations and increasing productivity and recognition of local products from Sangketan Village in a broader range.

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INTRODUCTION

Increasing the potential of society and its contribution to the economy is a phenomenon that must be studied. It means every business unit in Indonesia can significantly contribute to its economy if managed optimally. One of the efforts that the government can make to increase state revenues is optimizing micro, small, and medium enterprises (SMEs). Data obtained through the official channels of the Coordinating Ministry for Economic Affairs of the Republic of Indonesia shows that SMEs increased the country's per capita income by 60.5%, with a total employment absorption of 96.9% of the national accumulation. This national data means that the existence of SMEs contributes. The real contribution made by SMEs to the economy encourages the government to optimize the use of SMEs.

The government's policy to increase the role and contribution of SMEs has spurred local governments to carry out massive outreach and outreach to achieve the expected goals. Bali Province is one of the provinces aggressively implementing various approaches to ensure that government objectives are adequately met. Various efforts have been made, such as collaborating with higher

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education institutions to work together in developing villages with high potential, but these might have yet to be managed optimally.

Sangketan Villages is one of the villages in Bali which is a target for optimizing SMEs due to the potential of their local products. From a geographical perspective, this village is located in Penebel District, Tabanan - Bali. The livelihood of the majority of the people is farmers with the following description: (1) a total of 1266,692 hectares of rice fields, (2) 422,232 hectares of plantation land, (3) 51.8 hectares of homestead land, and (4) other land which residents use for farming. The village's high fertility level is accompanied by abundant water sources, making Sangketan Village have high potential in various products.

Apart from the high soil fertility level, Sangketan Village has several good water sources that support the efforts of the freshwater fish development program. Some of the superior products of Sangketan Village include breeding catfish and coffee. For coffee products in particular, several sources confirmed that initially, the local community experienced difficulties processing coffee products, so coffee product sales were only in the form of raw beans. On the other hand, buying and selling raw coffee products is less profitable because farmers only receive a small margin from their total sales. To ensure that farmers can achieve optimal results for their products, the processing of raw materials into finished goods, such as ground coffee, is optimized through the assistance of various related institutions. It involves multiple steps to ensure appropriate processing, crucial to the final product's success.

The excellent image of processed products from Sangketan Village is widely known. This condition causes product reach not only on a national scale but also internationally. It has spurred many parties, especially expatriates who have businesses in Bali, to look at Sangketan Village products to be marketed and provided at their business level. Expatriates with a business in Bali automatically invest their capital, called foreign investment, or Perseroan Terbatas Penanaman Modal Asing (PT PMA).

Based on the definition, Perseroan Terbatas Penanaman Modal Asing (PT PMA) can be interpreted as a type of business entity established in Indonesia with capital ownership obtained from foreign investors. Regulations regarding PT PMA in Indonesia are officially outlined in Law Number 25 of 2007 concerning Capital Investment. In order for PT PMA to function and acquire legal status in Indonesia, it has to meet many requirements, such as:

- Legality: In cases when foreign investors are required to get business, environmental, and other official permissions pertinent to the nature of the venture,
- Venture capital is the term used to describe the first deposit required when PT PMA is established.
- Ownership requirements: Indonesian regulations require local share ownership to be at least 51%, and foreign investors can own the remainder.
- Labor refers to using local labor by at least 85% of the total workforce owned by PT PMA.
- Business location where foreign investors must systematically describe the business location and ensure it complies with applicable regulations in Indonesia, such as distance from residential areas and environmental protection policies,
- Profits and taxes: where foreign investors must comply with tax regulations in Indonesia, including reporting profits transparently as a basis for tax payments;
- Foreign investment regulations refer to the compliance of foreign investors to follow the criteria by applicable regulations;
- And other compliance policies.

The increase of PT PMA's existence in Indonesia, especially in Bali Province, indirectly provides significant opportunities for the sustainability of SMEs in Sangketan Village. This condition refers to the high demand for local businesses to provide the best products for PT PMA and the running operation in Indonesia. One of the PT PMA sectors actively requests lodging service providers such as hotels, homestays, and villas. Sangketan Village's superior products, such as coffee, are demand-intensive products, so they have the potential to be marketed both nationally and internationally. Therefore, the citizens are expected to properly project the level of sales so that the existence of PT PMA can be used as a bridge for carrying out export transactions to other countries. This condition certainly provides many opportunities for Sengketan Village as one of the best coffee bean producers in Bali Province because it contributes significantly to the surrounding community's economy and can also increase productivity and provide employment opportunities, directly affecting the village's image.

Not only acting as a provider of opportunities, the existence of PT PMA as a user of SME products also challenges SME actors in Sengketan Village. The government's strict supervision of PT PMA creates a condition that requires PT PMA to comply with applicable tax regulations in Indonesia. Selecting vendors as providers of products and services is also carried out selectively by considering various criteria, one of which is tax compliance. One indicator to determine SMEs' compliance level as taxpayers is through ownership of a Taxpayer Identification Number (NPWP).

In this condition, The NPWP is not only acting as an identity for SME actors as a tax object with authority over business ownership but also as an instrument for identifying other substances such as the smoothness and health of the business, current business conditions, and other conditions of a material nature. For other reasons, tax compliance, which is marked by ownership of an NPWP, also has a positive impact on both foreign companies as business actors and SMEs as product suppliers, including the sustainability of business entities, opportunities for distribution with a more extensive reach, as well as the high level of trust given by parties external.

On the other hand, the low compliance level of SME actors creates challenges. It has been confirmed by data showing that only a small percentage of SMEs comply with the applicable tax provisions. Several factors influence this phenomenon, including low levels of tax awareness among the public, limited sources and dissemination of information, neglect of tax obligations, and suboptimal development of tax literacy. This condition certainly has the potential to significantly hamper the development of SMEs in Bali, especially in Sangketan Village, because there is a massive opportunity for each SME to be developed if they are willing to comply with the applicable taxation.

This phenomenon is not only known based on academic research but also from the perspective of empirical implementation. In natural conditions, PT PMA selects vendors selectively to maintain business sustainability in Indonesia. This results in creating priority classifications where the prioritized vendors have an NPWP. This condition occurs due to demands and obligations placed by the government on foreign companies operating in Indonesia to carry out business activities safely, orderly, and by applicable regulations. The selection of SMEs with an NPWP indicates that the vendor has a higher level of tax compliance than other SMEs, making it easier for PMA to coordinate and supervise the tax activities. Also, choosing SMEs that comply with tax regulations will create a mutualistic symbiosis between PMA and SMEs.

Problems related to the low level of awareness of SME actors regarding the importance of compliance with inherent tax obligations have the potential to hamper opportunities for export transactions to other countries. In fact, with product quality and capabilities that compete in the international market, local SME players in Sangketan Village, in particular, can have a broader range

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of transactions. Therefore, through this service program, the academic community of Diploma III in Taxation, Diploma III in Accounting, and Bachelor of Accounting, Faculty of Economics and Business Udayana University seeks to provide education for the Sangketan village community about the various opportunities that business actors can achieve if they comply with their tax obligations. With the theme "How to Manage SME's Financial for Tax Compliance," this service presents two resource persons with solid capabilities in their fields as practitioners and academics with more than a decade of work experience. There are several objectives for conducting this research, namely 1) increasing public awareness in Sangketan Village, especially SMEs, to fulfill tax obligations, 2) Providing empirical information on vendor selection that occurs at PT PMA accompanied by substantial considerations; 3) Encourage the marketing reach of local products processed by the community in Sangketan Village towards export level; and 4) Providing views and solutions for the people of Sangketan Village who are still experiencing problems in the tax reporting process.

METHOD

This event uses the following methods: case studies with an observational approach.

Case Study Method. Cresswell (2016) defines the case study method as a strategy used to understand and study a phenomenon, event, and activity for one or more individuals to gain an in-depth understanding. Yin (2014) also conveyed a similar thing: using the case study method makes obtaining a theory and a broader understanding of a phenomenon easier. In this service activity, the use of the case study method was carried out by first examining the potential and conditions experienced by most villages in Bali Province, especially those with competitive product qualifications who experience problems in marketing reach. Sangketan Village was chosen by first identifying several considerations, including 1) Sangketan Village is one of the Traditional Villages in Bali Province, which is rich in agricultural products of superior quality; 2) The reach and marketing capacity of Sangketan Village products is considered less than optimal due to the low number of exports made by local products, and 3) Literacy and knowledge of taxation among the people of Sangketan Village still need to be improved.

After the location of the activity has been determined, the next step is to hold a coordination meeting with all the committees. Each committee's tasks are distributed at the meeting per the decision letter (SK). The discussion in the coordination meeting also includes resource persons who will be invited to international service activities, the selection of MC and moderator, and various technical preparations for this activity. The following agenda continues with determining the time and technical implementation of the activity, as well as preparing invitation letters for resource persons and activity participants. The committee also prepared letters, certificates for participants, resource person certificates, moderator certificates, food, and transportation for activities.

Observation. Cresswell (2010) defines observation as analyzing phenomena directly in selected locations using the five human senses. The observation process is done by making direct observations at the activity location. At this event, observations began by conducting a field survey of the local village community to determine the conditions that occurred empirically. After the field survey has been carried out, the next step is to mitigate the problems identified in the problem survey, namely marketing products with a broader reach through optimizing tax compliance. The process of mitigating problems and preparing for events is carried out through coordination meetings by the service activities committee, as shown in the picture below.

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Figure 1. Service Activity Coordination Meeting

In order to provide education and understanding for participants, the community service activity committee (PKM) presented a resource person who is a practitioner in the field of taxation. He is Mr. Kevin Kloer, a Dutch citizen living in Indonesia for 20 years. His experience in the hotel and hospitality sector can be seen from his time as a Technical Advisor at PT Elite Heavens for eight years and as a commissioner at PT for more than ten years. Bali Homes Management (PT. BHM). Apart from having experience as a practitioner, he also completed a master's degree in law at the University of Amsterdam, Netherlands. The experience above shows that he has been handling villas and hotels in Bali for almost two decades.

Village residents were asked to share their complaints and personal experiences with the tax administration during discussion and question-and-answer sessions. It allowed observers to understand better the community's experiences with taxes and product marketing. Local citizens who participated in this activity were allowed to ask questions regarding the problems they were experiencing. The person was randomly selected according to their availability to ask questions and share their personal experiences.

RESULT AND DISCUSSION

Sangketan Village is one of the villages in Bali Province with abundant potential and natural resources. The geographical condition of this village, located in Tabanan Regency, causes the majority of local citizens to work as farmers, which is a stimulus for the high amount of agricultural land in the local village. It caused Sangketan Village to be rich in various agricultural products with competitive selling power, including coffee.

At this event, an expert, Mr. Kevin Kloer, a practitioner in the field of taxation, was presented. The resource person explained that there is a high opportunity for the people of Sangketan Village to market their products locally, nationally, and internationally, so there is great potential to export products globally. This condition is supported by the agricultural products of the community in Sangketan Village, which have superior quality at competitive prices.

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Figure 2. Sangketan Village socialization participants

Despite all of the supportive conditions, the people of Sangketan Village still experience several obstacles to expanding the reach of their businesses. One of the biggest obstacles experienced by village communities is tax administration and knowledge, which causes low levels of compliance in this village. Data shows that only a handful of SME actors with a local base in Bali have NPWPs. There are benefits that SME players will gain by having an NPWP, including getting services from certain institutions as a condition for applying for bank credit, requirements for applying for a checking account as a transaction document, requirements for applying for a Company Business License (SIUP), letters of administration and other countries, and are not subject to higher taxes such as PPh 21 (20% higher if you do not have an NPWP), PPh 22 which is not final and PPh 23 (100%) higher if the Taxpayer does not have the NPWP.



Figure 3. Presentation of material by the resource person

The importance of taxpayers, including SMEs, in having an NPWP is seen in the many benefits and the sanctions given if the Taxpayer does not have an NPWP. The sanctions include paying a 20% higher PPh rate than those with an NPWP, receiving a larger payroll deduction if laid off, experiencing problems when applying for a loan in the banking sector, and other disadvantages.

Not only technical obstacles but also SME players who still need to get an NPWP will experience significant operational impacts. One of the most valuable changes that can be felt is the opening of business and collaboration opportunities for foreign parties operating in Indonesia. This condition occurs due to the high level of supervision over operational activities by the local government for foreign capital managers in Indonesia, especially those related to buying and selling transactions carried out in Indonesia, so those with an NPWP will prioritize vendor selection.

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Several things must be underlined regarding NPWP ownership for taxpayers in Indonesia. It refers to transaction documents recorded and owned by a third party that can be traced through bank accounts, the buyer's identity, and data that will be recorded automatically by BPN if there is an asset purchase in the form of land.

It is inseparable from the tendency of society, especially SMEs, to ignore tax aspects in carrying out their business activities. Village residents were asked to share their complaints and personal experiences with the tax administration during discussion and question-and-answer sessions. It allowed observers to understand better the community's experiences with taxes and product marketing.

One of the policies stipulated is issuing tax facilities in 2018 for small entrepreneurs who can pay a tax of only 0.5% of their income for that month.

Apart from the abovementioned regulations, the expert also explained that the government is trying to harmonize tax regulations by issuing Government Regulation 55 of 2022 concerning Adjustments to Regulations in the Income Tax Sector, which discusses the government's procedures for providing convenience and justice to taxpayers, with a certain gross income within a specific period. In this regulation, there are 13 chapters in PP Number 55 of 2022, some of which only continue the articles in the HPP Law, and several other regulations are adjusted to accommodate the current needs of taxpayers while still emphasizing the principles of good governance within the scope of government.

After the expert made the presentation, the next session was a discussion between the participants and the expert, guided by the moderator. The citizen of Sangketan Village asked the first question. The questions asked relate to people's personal experiences. The problem is that people in Sangketan Village who work as farmers often need help related to their rice fields because the Tax Notification Letter Due (SPPT) has yet to be issued. It causes obstacles for the public to fulfill their tax obligations.



Figure 4. Participant question and answer session

An essential assumption from the question above is that there is a desire for the public as taxpayers to comply with their tax obligations. However, this is often hindered due to the bureaucratic complexity set by the government as the tax regulator in Indonesia. Therefore, the resource person explained that this could be overcome through the activeness of taxpayers in confirming issued documents such as SPPT with the Tax Service Office (KPP) in their respective regions.

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Another response from the expert regarding the above statement is that tax regulations classify taxes based on the collecting institution, namely central tax and regional tax. The regional tax related to the resource person's problem is the Land and Building Tax (PBB). It is essential to understand that there is a distinction between income tax and PBB. Income tax is recorded, calculated, paid, and reported by the Taxpayer, while the state and the Taxpayer only calculate PBB, which has to be paid if the PBB SPPT has been issued. It means the Taxpayer manages their income tax obligations, whereas PBB is only paid when the authorities require it. It allows taxpayers to pay tax obligations directly by visiting payment institutions such as banks that provide tax payment services.

Participants who asked the second question classified questions based on the scope of tax coverage nationally and internationally. The question asked contains two main points, consisting of the involvement of PMA to help local taxpayers who do not yet have an NPWP but have products of good quality, so they have the potential to become vendors. Participants also asked if there were conditions where the company falsified the reported income so the tax office could know the authenticity of the income obtained.

Based on the explanation, it is known that tax obligations are attached to each individual. PMA, as a user of goods or services, has no legal obligation to find an NPWP for their cooperation partner. It happens because entrepreneurs who want to make an NPWP must take care of it themselves, registering with the Tax Office and submitting their data. PMA can only provide education about the importance of NPWP in collaborating with local entrepreneurs.

In the presentation delivered by the expert, it was stated that there is a tendency for some companies to hide the income they earn in order to avoid their tax obligations. However, this practice will become known to the tax officials on duty sooner or later. It occurs because there are unreasonable transactions carried out by the company, such as the purchase of material fixed assets, the high cost of living, which is in the spotlight, and expenses that are disproportionate compared to the total income earned. Fraudulent financial reports can also be reviewed through documents from third parties such as banks, vendors, and others.

The lack of optimal knowledge of the public, especially SMEs, to fulfill tax obligations often results in sanctions that taxpayers need to learn. In connection with this condition, the moderator also asked about this matter, regarding whether or not the government provided a tax elimination policy to reduce administrative sanctions that taxpayers might receive. To this question, the answer was obtained that the government, as the person responsible for taxation in Indonesia, has carried out much socialization about taxes. Tax amnesty is one of the programs established by the government. This tax amnesty was first held in 2008 and continued for a second period, namely for the 2015 tax year, officially implemented in 2016. This condition benefits taxpayers; if tax obligations have not been reported, they can be reported and will be subject to tariffs. Taxes are meager compared to what is payable in actual conditions.

Not only implemented in 2016, the tax amnesty program will also be held again in 2022 through the voluntary disclosure program (PPS). When viewed from the implementation mechanism, there are differences in implementing the tax amnesty policy in 2016 and the voluntary disclosure program in 2022. In 2016, substantial tax whitening is the optimization of state revenues through taxes to stimulate tax payments by taxpayers, which consists of the imposition of low tax rates and several facilities consisting of the elimination of administrative sanctions, the elimination of the tax audit policy for prosecution with criminal purposes, the termination of tax audits for those being audited, as well as the non-imposition of Final Income Tax (PPh) for the transfer of assets in the form of shares, buildings or land. Meanwhile, the voluntary disclosure program in 2022 will not be subject to a lower tax rate because the focus of the policy is the elimination of administrative

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sanctions, the elimination of tax audits for criminal prosecution, and the non-imposition of provisions for final income tax obligations for assets acquired in the 2016-2020 period. Another related policy is that processing NPWP is now easy with an application-based (online) process. Regional vehicle and property taxes are also being abolished following applicable policies. The second discussion session was closed because most of the activity participants already understood the material presented by the resource person, so no more questions were asked. As a closing series of activities, questionnaires were distributed to participants to obtain feedback, views, criticism, and suggestions for subsequent activities, which will later be used as a reference for continuous improvements. The participant questionnaire was divided into eight indicators related to the suitability of the event theme and the material presented, systematic delivery of the material, level of application of the material, capability, and techniques for delivering the material by the resource person, discipline of the resource person, and the readiness of the organizing committee. This indicator is then assessed using an unsuitable, suitable, and very suitable participant satisfaction scale.

Based on participant feedback submitted through the questionnaire, the suggestions and comments from each participant will be summarized as follows:

- The material presented is beneficial, especially for local entrepreneurs in Sangketan Village.
- Transportation preparations still needed to be improved because it took some time to wait, but overall, the event went very well, and the participants enjoyed it.
- The event is exciting and fun; it should be held yearly, and the participant quota should be increased.
- The information presented is beneficial.
- Participants were happy to learn about taxation and hope this event can be held again in other villages because the information provided is beneficial, considering that many businesses still do not have NPWPs and do not pay tax obligations.
- This event is informative and educational, especially for Faculty of Economics and Business (FEB) students.
- The material presented benefits future students, especially those who want to open a business/UMKM, so they know the procedures for managing taxes in business.
- The material is good; please maintain and improve it and be helpful to the people of Sangketan Village.

All suggestions and input submitted by the participants will be documented and used to prepare subsequent activities. Therefore, all participant feedback is stored and evaluated in depth to mitigate obstacles during this service in the next activity.

The final series of closing events was conducted with a group photo session between the service committee, resource persons, all village officials, and participants. However, souvenirs were given to the Sangketan Village administrators, resource persons, and moderators before that. The gift of souvenirs is done as a form of gratitude as well as a sign of cooperation if, in the future, there are service activities that need to be carried out while still considering the empirical phenomena that occur in Sangketan Village and the community in that village. This approach is one of the efforts made by the Diploma III Taxation Study Program, Diploma III Accounting Study Program, and Bachelor of Accounting, FEB UNUD, to consistently contribute to society's welfare. Activity evaluation activities by the committee are carried out right after the service committee arrives on campus. The main objective of the evaluation is to optimize the quality and substance of

implementing similar activities in the future so that they can be implemented better following the criteria set by the university and the needs of the local community.

CONCLUSION

During this period, the community service program organized by the Diploma III Taxation Study Program, Diploma III Accounting Study Program, and Bachelor of Accounting, Faculty of Economics and Business, Udayana University was carried out in Sangketan Village, Penebel, Tabanan, Bali Province. The topic discussed in this service is how to manage SMEs' finances for tax compliance. This service event was attended by participants consisting of SME actors from Sangketan Village, PKK (Family et al.) women from Sangketan Village, and students from the Global Engagement Program of the Faculty of Economics and Business, Udayana University. The conclusions from this service activity include:

1. The people in Sangketan Village have a relatively high level of awareness of their tax obligations within their scope as farmers, which is the job of most local people. This statement is confirmed by the sensitivity of the local community to waiting for SPPT from the government regarding the land and building tax on ownership of rice fields and other assets. However, public awareness as SME actors regarding the importance of owning an NPWP still needs to be optimized. It happens because only a few people know the importance of NPWP to indicate compliance with tax regulations. Due to the government's tight supervision, an NPWP can allow SMEs to be selected as priority vendors by PMA operating in Bali. Ownership of an NPWP can also be a bridge for SMEs to export products with international reach.
2. One of the goals of PMA operating in Bali Province is to provide local products of the best quality, but in its implementation, PMA cannot help SMEs process NPWP. Therefore, efforts are needed for each SME actor to manage their NPWP independently or with the help of a selected tax consultant. SMEs can consider the advantages and disadvantages of not having an NPWP to optimize tax compliance.
3. In current tax practices, it is expected to find unscrupulous companies attempting to manipulate income to avoid tax obligations. However, this indication will be systematically detected through transactions by third parties such as banks, buyers, and other institutions involved.
4. The government, as the originator and manager of tax policy in Indonesia, has established several regulations to optimize public awareness of their tax obligations, namely through a tax amnesty policy. The tax amnesty policy took effect in 2016, and the Voluntary Disclosure Program (PPS) took effect in 2022 following the applicable terms and conditions.

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